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THE FORTY-FOURTH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY  
**LEGAL AND POLITICAL AFFAIRS COMMITTEE**

**REPORT<sup>\*</sup>**

**ROLE OF PARLIAMENTS IN PROVIDING LEGISLATIVE SUPPORT  
TO THE DEVELOPMENT OF SMALL ENTREPRENEURSHIP IN THE  
BSEC MEMBER STATES**

Rapporteur: Mr. Gheorghe Vlad NISTOR, Head of the Romanian  
PABSEC Delegation, member of the Committee

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## I. INTRODUCTION

1. The Legal and Political Affairs Committee at its Forty Third Meeting in Moscow on 26 March 2014 following the discussions on the role of the local authorities in strengthening regional cooperation in the BSEC Member States decided to take up the subject of small entrepreneurship in the BSEC Member States.
2. In this respect, the Forty Fourth Meeting of the Committee in Batumi on 29 September 2014 is dedicated to “the Role of Parliaments in Providing Legislative Support to the Development of Small Entrepreneurship in the BSEC Member States” with a view to elaborate the Report and the Recommendation for further submission to the consideration of the Forty Fourth Plenary Session of the General Assembly in Athens in December 2014.
3. The present report is designed to examine the state of affairs regarding the small businesses that is vital to the success of the economy as they meet local needs and at the same time serve the requirements of larger businesses developing the right skills, attitudes and initiatives to make an innovative contribution. Small business is an active component in the competitive market, looking for the needs and quickly addressing them.
4. The Report benefited from the contribution by the national delegations of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine. In addition, the reference material has been obtained by the PABSEC International Secretariat through other related sources and publications.

## II. THE ROLE OF PARLIAMENTS IN PROVIDING LEGISLATIVE SUPPORT TO THE DEVELOPMENT OF SMALL ENTREPRENEURSHIP IN THE BSEC MEMBER STATES

5. Development of economy in any state envisages the optimal correlation among large, medium and small enterprises. Being one of the key elements of the market mechanism, small business plays a significant role in achieving sustainable economic development. Small business is a key element of the market economy, without which a state is not able to develop harmoniously. Small business largely determines the pace of economic growth, structure and quality of the gross national product.
6. Effective functioning of the economy is possible only at the optimum quantities of big, medium and small enterprises. Small enterprises have a major socio-economic importance. According to the level of development of small business experts even judge a country’s ability to adapt to the changing economic environment.
7. Small entrepreneurship is a business carried on by actors of the market economy in conformity with the criteria stated in the respective laws. The main criterion for classifying subjects of market economy to small businesses is primarily an average number of workers employed in the enterprise. Very often commonly used criteria include the number of employees (employed workers), the size of the authorized capital, the value of assets, turnover (profits, revenue). According to the World Bank there are more than 50 criteria adopted by which enterprises are defined as small and medium businesses.
8. Small Enterprise meets the needs of the market in those products and services that are not preferred by the medium and big companies due to some economic or other reasons. Also, small businesses often constitute themselves as innovators. As an example, 48 out of 61 major discoveries of the XX century were made in small and medium-sized enterprises.

At the same time, 80-85 % of the innovations developed by the small companies are implemented within one or two years. In addition, the small entrepreneurship is characterized by rapid response to market requirements, proximity to local markets and manner to adapt to the needs of customers, a high level of specialization; possibility of mobilizing the resources for future-oriented directions.

9. Analyzing the experience of development of small entrepreneurship, it could be stressed that small business possesses such advantages as an increase in the number of owners, and respectively, the formation of the middle class - the main guarantor of political stability in a democratic society; growth of the economically active population, which increases incomes and smoothes disparities in welfare of different social groups; selection of the most energetic, capable individuals, for which a small business becomes a primary school for self-realization; creation of new jobs with relatively low capital costs, especially in the sector of service; employment of workers coming from the public sector, as well as representatives of socially vulnerable groups of population; training of employees taking advantage of employing workers with limited education who acquire their skills at their workplace; development and implementation of technological, technical and organizational innovations (trying to survive in a competitive struggle in which small companies are more likely to take risks and implement new projects); indirect stimulation of production efficiency of large companies by entering new markets that are considered by the major companies not so important (often from inside of small businesses grow some major companies, also the most advanced high-tech industries and manufacturers); creating a competitive environment; mobilization of material, financial and natural resources that would otherwise remain unused, as well as their rather efficient use.
10. Development of small business also contributes to the successful address of the issues like the establishment of competitive civilized market relations; diversification and improvement of the quality of goods, works and services; promotion of structural changes of the economy; involvement of personal funds of population for the development of production; creation of new jobs, reducing unemployment level; more efficient use of creative abilities of people unlocking their talents, development of various kinds of folk arts and crafts; involvement in the work process of certain population groups; formation social group of owners, owners of enterprises (firms, companies); intensification of scientific and technical progress; development and use of local sources of raw materials and waste from big industrial companies; contribute to the improvement of activity of big enterprises through manufacturing and supplying the parts and components of their equipments; rescuing a state from low-profit and unprofitable enterprises by renting and buying them.
11. The BSEC Economic Agenda towards an Enhanced BSEC Partnership, which provides a roadmap for joint action that is needed to give new impetus to economic regeneration in the region, attributes special importance to the support for the sustainable development of the small and medium enterprises sector in the BSEC region. The Goal 9 of the Agenda calls for: 1. Increasing the competitiveness of the SMEs by creating fair conditions at both national and regional levels and undertaking regular surveys on SMEs' needs, priorities and problems in the BSEC Region; 2. Developing BSEC programs aimed at promoting favorable conditions for local businesses and foreign investments; facilitating networking, exchange of experiences and know-how; organizing training for young entrepreneurs; 3. Promoting and supporting access to finance to SMEs which produce green products and services; 4. Improving the access of SMEs from the BSEC Member States to other

markets, in particular by stimulating the export capacity of SMEs and promoting cross-border cooperation and business partnership with neighboring countries. 5. Focusing on high technology, innovation, clusters, industrial-technology and software parks and business incubators as concrete instruments to facilitate SME start-ups in the Member States and to encourage entrepreneurship, competitiveness and cooperation with large companies in the BSEC Region. 6. Developing a support system for innovation and technology at BSEC region, with the view to promoting cooperation among SMEs and the university environment, or research and development institutions; 7. Promoting the e-business system in the BSEC Region and the use of the BSEC Innovation Data Bank, to be updated under the coordination of the BSEC PERMIS; 8. Aggregating an information network of regional and Member States financial resources available to SMEs, accessible through the BSEC Innovation Data Bank. 9. Promoting business to business contacts through “BSEC SME Expert Exchange” program. 10. Finalizing the establishment of the BSEC Quality Award for SMEs

12. The BSEC Working Group on SMEs aims to create an enabling business environment, to foster entrepreneurship and to promote cooperation among the SMEs in the region. Small and Medium Enterprises Development Organization (KOSGEB) of the Republic of Turkey is the Coordinator of this Working Group. The respective Action Plan aims to contribute to the economic and social development of the Member States, to increase the technological and economical collaboration amongst institutions and SMEs in the Member States in the spheres of entrepreneurship, technology, innovation and energy efficiency, to strengthen the institutional capacity of institutions dealing with SMEs in the BSEC Member States, determining and adopting joint policies, contributing to technological and economic cooperation amongst SMEs in the Member States to foster the entrepreneurial spirit and culture in the Black Sea countries by facilitating exchange of knowledge, experience and networking among SME related organizations and entrepreneurs, to identify new strategies and policies for the development of entrepreneurial culture and environment, spreading entrepreneurship in the Black Sea countries and supporting entrepreneurs. Specific objectives are; Supporting regional development and sustainable growth, Contributing to job creation, income generation, Supporting research and technology commercialization Building an environment of knowledge, science, and entrepreneurial activity Increasing cross-country collaboration among the BSEC Member States in the sphere of SMEs, Preparing booklets on government policies in the BSEC Member States which encourage innovation and entrepreneurship and SME success stories from individual Member States within the framework of their related programs, Publishing a booklet on Energy Efficiency Best Practices in the BSEC Member States.
13. At the last meeting of the WG on SMEs on 10-11 October 2013 it was stressed that the establishment of the BSEC Quality Award for SMEs from the BSEC Region would need to be based on the Total Quality Management (TQM) with a Competition Committee composed of qualified representatives from all BSEC Member States. The Delegation of the Republic of Turkey informed the participants of its readiness to contribute by preparing a draft concept paper, if a decision is taken by the Working Group to organize such an award competition for the BSEC Member States. The BSEC Business Council also expressed readiness to contribute to the process, if a decision is taken by the Working Group. At the same time the participants were informed that only four Member States, namely the Republic of Armenia, the Republic of Azerbaijan, the Hellenic Republic and the Republic of Turkey, have contributed to the E-Booklet on Energy Efficiency Best

Practices in the SME Sector and invited the remaining eight Member States which have not yet done so, to fill out the templates for the E-Booklet and to communicate them to the Country-Coordinator by e-mail until 29 November 2013. The participants stated the need to recover, make available and update the BSEC Innovation Data Bank that was previously prepared by the Institution of Small and Medium Sized Enterprises in the Hellenic Republic, namely EOMMEX was closed but the relevant authorities will examine the activation of the Data Bank in the future.

14. On 8-9 October 2013 the BSEC Workshop on “Family Businesses and SMEs” was jointly organized by the Permanent International Secretariat of the Organization of the Black Sea Economic Cooperation (BSEC PERMIS) and the Konrad-Adenauer-Stiftung (Foundation) (KAS) in Turkey. This event came up with the conclusions and recommendations that: the Family Business (FB) are considered to be the backbone of the economies of the BSEC Member States and their societies in a wider sense; FBs make up about 70-80% of all European enterprises, accounting about 40-50% of employees; Most SMEs, especially micro and small enterprises, are FBs and some of the largest European companies are also FBs. Most of FBs are SMEs operating in traditional sectors such as tourism, agriculture and the service sector. There is no commonly accepted definition of FBs in the EU. FBs are flexible in time, work and money, they are innovative entities with long-term thinking, stable culture, credible, moral and proud business behaviour. However, their business challenges contain scepticism, they are reluctant to modernize their management styles. FBs in many BSEC countries including the advanced ones are generally negative about the Governments’ attitude and support. The majority of FBs feel that the Governments do not recognize the significance of the FBs. There is a lack of research and common understanding with regard to the value of the FBs for the economy and the society. Succession of FBs as well as business transfers constitutes a challenge for the long term survival of the existing FBs. Major reasons for failure of business transfers are lack of careful planning and rigid taxation policies in this process. There is a lack of reliable statistics on the FBs in the BSEC Member States. The Workshop recommended that: Governments should provide a legal definition of the FBs in the BSEC Member States and harmonize it with their existing company and SME laws. While defining FBs, the three major pillars including the family, the business and the ownership should be taken into consideration. Governments should foster entrepreneurial mindsets in the entire education system in order to contribute to the creation of the sustainable FBs in the BSEC countries. Special attention is required to modernize the VET system in the BSEC Member States. Governments should improve national statistics related to FBs. Free training courses, especially in business planning, accountancy, marketing, and management should play an important role for the further development of FBs. Governments should consider adopting measures to create a more favourable environment for FBs, including simplification of company law, reducing bureaucracy, easing taxation and providing financial resources especially for the start-up of FBs. Governments and national authorities should foster the development of local and regional clusters especially by providing cross fertilization. Governments should foster innovation projects between academicians and FBs. Governments should include FB development into their SME policy development. The civil society should be encouraged to represent the interests of FBs especially at national level. Where necessary, media and public institutions should improve the promotion of the values of the FBs. The Participants of the Workshop agreed to produce a book on family businesses in the BSEC Member States, based on the guidelines which will be sent by ERENET Scientific Director in agreement with the KAS.

15. As in many countries, small entrepreneurship plays a crucial role in economic and social life in BSEC Member States. In this regard, development and promotion of small business is acknowledged as one of the main targets of the governments in the countries of the Region. With effective policies and well established coordination among the public institutions and continuous dialogue with the private sector, their role has grown in the region's economy and the BSEC Member States as well.
16. As a result of pursuing by the Government of the **Republic of Armenia** consistent policy in recent years there has been a dynamic growth of small and medium enterprises sector, which generally has a positive effect on the indicators of socio-economic development of the country. The number of SMEs in Armenia in 2013 was over 137,000 representing 98 % of all active business entities in the country. Despite the high rate of activity of SMEs, the share of the SME sector in GDP is about 29 %, providing only about one third of the GDP, which, according to the available statistics, is significantly lower than in other developing and developed countries. In the legislative sphere, in August 2000, the Government of the Republic of Armenia approved the Concept of developing policy and strategy of the SMEs in Armenia, and in December 2000 the National Assembly of the Republic of Armenia adopted the Law of the Republic of Armenia "On the Support of Small and Medium Enterprises". This law establishes criteria for defining SMEs, as well as the main directions of state support to SMEs in Armenia. Also the Law of the Republic of Armenia "On amending and supplementing the Law of the Republic of Armenia On the support of small and medium-sized enterprises" was elaborated, which was adopted by the National Assembly of the Republic of Armenia in October 2010. This Law establishes financial criteria along with the quantitative criteria for defining SMEs in Armenia. Implementation of SME development policy in Armenia has not so long history compared to other more developed countries and post-Soviet countries. Currently in Armenia there is an efficient national infrastructure to support SMEs and the system of nongovernmental structures to support small businesses. Every year new mechanisms are introduced to promote the scope of support to the SMEs in Armenia. In the framework of the state program for supporting SMEs in 2002 the Fund entitled "Small and Medium Entrepreneurship Development National Centre of Armenia" (SME DNC of Armenia), was established, which became the main component of the state support system to implement programs designed to support SMEs in Armenia. Despite the positive results in the SME sector, further development of SMEs in Armenia progresses rather slowly without using the real potential of this sector to the full extent. Along with other obstacles, the key problem is the lack of financial resources and high credit interest rates (average 18-24 %). Also other important problems faced by SMEs especially operating in the remote regions of the country could be highlight as follows: the limited domestic market; imperfect system of taxation for SMEs; undeveloped system of existing infrastructure to support SMEs; low level of system of investment attraction; unfair competition; lack of effective financial and credit mechanisms and technical resources to ensure the development of SMEs; inadequate level of business know-how / skills for managing own business.
17. Implementation of fundamental reforms aiming at the development of entrepreneurship in the Republic of **Azerbaijan** and establishment of favorable environment for doing business is in the center of the economic policy defined by the national leader Heydar Aliyev, which is successfully followed by the President of the Republic of Azerbaijan Ilham Aliyev. The priority task of the present stage of socio-economic development of the country is to ensure continuous and balanced economic development of the country,

which has been successfully carried out in the framework of the adopted state programs. The private sector continues to play an important role in achieving success as a consequence of creating a favorable condition for business in the framework of the straightforward policy. In recent years, the most important factors that contributed to improving the business environment were reduction of quantities of taxes and substantial decrease in social insurance premiums. Starting with 1998, the Government launched a gradual decrease in tax rates. Development of entrepreneurship is one of the leading units of state policy aiming at implementation of the sustainable state strategy. This policy aims to improve the legal, organizational and financial support to business activity in all spheres of the economy, and especially in the priority areas. At present, this policy envisages the implementation of a systematic approach to state support of entrepreneurship, as well as securing increased efficiency measures to ensure the state support to entrepreneurship. Consistent measures are carried out to implement this strategic direction. The National Fund of the Republic of Azerbaijan for Entrepreneurship Support which acts under the Ministry of Economy and Industry was established in 1992 and starting with 1993 up to date have granted 21,400 entrepreneurs 1.3 billion Manat (1.6 billion US \$) of preferential credit which was used to create more than 130,000 jobs. Priority sectors for the Fund are - agriculture, industry, tourism and infrastructure. The main tasks are to take measures to establish financial security scheme for entrepreneurship development; to assist in implementation of the economic policy of the state in order to promote entrepreneurship through the involvement and effective use of financial resources; to fund the programs aimed at promoting entrepreneurship; to provide financial assistance to investment projects and programs related to the implementation of priority areas of economic development; to participate in the preparation and implementation of regional and sectoral programs and investment projects promoting entrepreneurship development, sound competition and product market, the creation of new jobs in the Republic of Azerbaijan; to perform other duties in accordance with the respective legislation. The main activities of the NFES within the scope of the priorities of the national economic policy are aimed at providing financial and informational support to the development of entrepreneurship and increase the employment level. Financial aid to the entrepreneurs by the NFES is performed through the banks. The Banks give out funds allocated by the Fund under its responsibility. The NFES provides start-up funding to certain groups of entrepreneurs, such as young people and women.

18. The legal framework of **Bulgaria** in relation to the small and medium-sized enterprises rests upon the European and national legislation. The Law on Small and Medium-sized Enterprises is harmonized with the SME definition set out in Recommendation 2003/361/EC. The Law on SMEs empowers the Ministry of Economy and Energy to pursue policies on SMEs. Currently there is a strategy in place in Bulgaria for the period 2014-2020, which is fully adapted to the EU flagship policy initiative in the field of SMEs, i.e. the Small Business Act for Europe. The Strategy is implemented through an Annual Programme and the measures set therein are developed on the basis of Bulgaria's indicators under the yearbooks called SBA Fact Sheets drafted by the European Commission. Thus Bulgaria implements both the SBA and its own national strategy. Bulgaria has opted for such an integrated approach as it enables monitoring the progress of horizontal SME policies in quantitative indicators along with performance benchmarking with other EU Member States. In the period 2008-2012, the number of enterprises has increased by nearly 30,000 (or about 11%). For the last year only, the drop in the number of industrial enterprises amounts to 320, mostly in the category of "small" enterprises with 10 to 50 employees. The top three industrial sectors with foremost start-

ups are the production of food, apparel and metal products, occupying respectively the 14th, 15th and 21st place with 549, 516 and 261 new businesses. In the period 2008-2012, employment in SMEs has decreased by 191,000 people or about 9.7 percent. In industry alone, employment has decreased by 105,000 people. Increase in employment is observed in sectors of knowledge-intensive services such as research and development (67% employment growth for 2012 compared to 2008), production of films and TV programs (82%) and information technology (48%). For 2012, growth has been recorded in terms of number of enterprises, employment and labor productivity by high-tech industries such as: - automotive industry; manufacture of computers, electronics and optics; manufacture of electrical equipment; by sectors of knowledge-intensive services: - production of films and TV programs; information technologies; information services; research and development; In other sectors: hospitality; storage activities; recycling of materials and waste collection and disposal; veterinary activities; production of timber. Lack of industrial enterprises in Bulgaria, and the emergence of SMEs in the retail sector further increases imports of foreign manufactured goods. Even under the current sector structure, the Bulgarian economy has registered growth. In terms of exports, Bulgaria relies primarily on base metals and petroleum products. However, over the past four years sectors such as mechanical engineering, metal products, computers, optics and electronics, as well as automobile manufacturing have indicated growth in the volume of exports, in export prices and labor productivity. Extant data on Bulgaria's foreign trade clearly indicates that export of raw materials accounts for the largest share: 43.3% of total exports in 2012. Next on the list is consumer goods export by 23.3% and investment goods - by 16.7%. The share of high-tech industries in total exports is 6.1%, which makes it the third biggest sector in terms of export per employee, next to petroleum products and base metals exports.

19. Small and medium-sized enterprises are the vast majority of businesses **in Greece**, at a percentage of 99,9%. According to the European Commission's recently published SBA factsheet 2013, they are the source of employment of 84,8 % of manpower and contribute to the GNP by 69%. A leading policy is the European Commission's "Small Business Act" (SBA) initiative, established in 2008 and revised in 2011 as a coherent frame of actions and measures for SMEs support, considered as "European economy's spine". Actions included in the SBA are organized in ten major axes covering the whole public policies' spectrum: Creation of an environment friendly to businessmen and family businesses, favoring progress and rewarding entrepreneurship; Guarantee of second chance to honest businessmen in case of bankruptcy; Establishment of rules in line with the principle of "priority to small enterprises; Public administration response improvement to SMEs needs; Adaptation of policy means to SMEs needs, facilitation of their participation to public contracts and better utilization of possibilities offered by state resources for SMEs; Facilitation of SMEs access to funding and establishment of legislative and business environment favoring timely payments in commercial transactions; SMEs support for their benefiting from opportunities offered by the single market; Promotion of skills upgrading in SMEs, together with all forms of innovation; Provision of possibilities for SMEs to turn environmental challenges into opportunities; SMEs encouragement and support for their benefiting from market's growth. The aforementioned frame has not yet taken the form of legislation. The materialization progress of priority axes is recorded in the European Commission's annual SBA factsheet. The role of national parliaments is important in what concerns impact assessment of legislative initiatives on SMEs competitiveness. In this respect, Law 4048/2012 on the "Regulatory Governance, Principles, procedures and means for best Legislating Practices"

provides a frame for new legislation's impact assessment on economy, society, administration and the environment. With regard to the improvement of business environment, remarkable progress has been achieved, aiming at encouraging entrepreneurship by means of enacting the Law 4072/2012 on "Improvement of the business environment – new corporate form – trademarks – realtors – regulating maritime, port, fishing matters and other provisions"; the Frame Law 4262/2014 on "Simplification of licensing procedures for financial and business activity and other provisions"; the Law 3982/2011 on "Simplification of licensing procedures for technical professions, manufacturing industry and business parks". In April 2014 the Greek Agency for Investments and External Trade "Enterprise Greece" was established by Law 4242/2014 as the official agency of Greek State for the promotion of investments in Greece and exports, under the supervision of the Ministry for Development and Competitiveness. Its goal is to make Greece a more attractive investments destination and enable it to become a trade partner at the international level. In 2007-2013, the following EU co-funded programmes have been designed and materialized: National Fund for Business and Development, which guarantees for loans of Greek Banks to Greek SMEs, through Funds recommended in cooperation with competent Ministries. State Guarantee Facility, in cooperation of the Ministry for Finances with the European Investment Bank, for loaning purposes of Greek SMEs, guaranteed by the Greek state, for equipment funding in the fields of manufacturing, tourism and services. Trade Finance Enhancement Programme, in cooperation of the Ministry for development with the European Bank for Investments, of a total budget of public expenditure 500 million euros for facilitating SMEs engaging in the field of exports. Moreover, in order to facilitate Greek SMEs access to funding, the following legislative initiatives have been undertaken: Law 4146/2013 on "Creation of a Development Friendly Environment for Strategic and Private Investments"; the Law 4224/2013 establishing the Hellenic Institution for Growth, on initiative by the Ministry for Development and Competitiveness in cooperation with the German Development Bank KfW, the Task Force for Greece, the European Investments Bank, the European Investments Fund, the European Commission and private investors.

20. Small and medium enterprises play a key role in the social and economic development of the **Republic of Moldova**, being characterised by dynamism, flexibility and diversity of the supplied opportunities. In the Republic of Moldova, the sector of small and medium enterprises makes up 97,4 % out of the total number of enterprises of the country, being the main job creator and driving force of economic growth. The Republic of Moldova is in a process of implementation of reforms that would contribute to the encouragement of the competitiveness of the national economy through the following strategic documents: National Development Strategy "Moldova 2020"; The 2013-2014 Activity Programme of the Government "European Integration: Freedom, Democracy, Wellbeing". The 2012-2020 Strategy for the Development of the SME Sector provides the policy framework, on the long and medium term, with respect to the development of SMEs.; Law No 206 of 07.07.2006 on "Supporting the SME sector". Other documents providing for the development of the SME sector are: The 2007-2015 National Strategy regarding Employment Policies; The 2006-2015 Strategy on Attracting Investments and Promoting Exports; The Action Plan for Fostering the Return of Moldovan Migrant Workers from Abroad; Moldova-EU Mobility Partnership; The 2010-2015 National Programme for Ensuring Equality, etc. The development of SMEs is currently being delayed because of the following difficulties and obstacles encountered in the sector: insufficient access to entrepreneurial information and consultancy; difficult access to financing; poor entrepreneurial culture; poor business infrastructure; poor dialogue between the private

and public sector. Entrepreneurs emphasize frequently difficulties related to taxation. Despite relatively low taxation rates, the Republic of Moldova shows a low efficiency of the SME fiscal policy. At present, in the Republic of Moldova, the fiscal system does not encourage investments made by SMEs. At the end of 2013, the number of SMEs was 50,9 thousand, that is 1,5 thousand more enterprises in comparison with 2012. The number of persons who worked in small and medium enterprises in 2013 amounted to 298,4 thousand, being equivalent to 56,9% of the overall number of the employees of enterprises. The sales income of small and medium enterprises throughout this period made up 77413,2 million lei or 33,4% of the overall sales income of the economy. The average number of employees per enterprise was 6 in 2013, being at the same level as in 2012. According to the dynamics of the territorial density of enterprises in 2006-2013, the indicator is growing slowly, from 9,9 SMEs in 2006 to 14,2 SMEs in 2013. In the context of the European integration aspirations, the Organization for Small and Medium Enterprises Sector Development (ODIMM), which promotes the creation of new enterprises and to support the development of the existing ones, carries out a series of activities that are meant to contribute to the sustainable development of the SME sector: The 2010-2015 Programme for Attracting Remittances in the Economy "PARE 1+1" was approved by the Government through Decision no. 972 of 18.10.2010 and is aimed at migrant workers and their first degree relatives who want to invest in starting up or extending a business. The National Programme for Youth Economic Empowerment (PNAET) was launched through the Government Decision no. 664 of 03.06.08 to promote involvement entrepreneurial activities of young people aged 18-30 years.

21. The Law no. 62/2014 modifies and completes the Law no.346/2004 on stimulating setting up and developing Small and Medium Enterprises in **Romania**. At the macroeconomic level, there are four main problems for the small and medium enterprises: the SMEs critical mass; size of the companies; the sectoral structure; the quick disappearance of the new business. At microeconomic level there are a series of critical factors for the development perspectives of the Small and Medium Enterprises: the suitable management of the enterprise; the suitable capitalization of the business taking into account its predictable perspectives of development; introduction of new technologies in the enterprise and increasing capacity; diminishing the barriers which stop the new enterprises to join the market and respectively which prevent the non viable companies to get out of the market; Consolidating the entrepreneurs' network and disseminating the relevant market information within them; Internationalization of the company's business. The current strategy sets up the means of governmental intervention for solving the above mentioned problems, either partially or integrally. The institutional efforts on stimulating setting up and developing the Small and Medium Enterprises materialized in the adoption of some specific regulations, out of which we mention: Law no. 346/2004 on stimulating setting up and developing Small and Medium Enterprises, with the subsequent modifications and completions (Law no. 62/2014); Government Decision no. 1211/2001 on setting up the National Credit Guarantee Fund for SMEs; Government Emergency Ordinance no. 23/2009 establishing the Romanian Counter-Guarantee Fund; Government Emergency Ordinance No.6/2011 on incentives granted to young entrepreneurs who set-up and develop small enterprises; Government Emergency Ordinance no. 44/2008 on the performance of business activities by authorized individuals, individual undertakings and family undertakings, with the subsequent modifications and completions; Government Decision no. 274/2013 on granting de minimis state aid for investments made by small and medium enterprises. The SME issue occupies a central place in the EU economic and social Agenda. The Communication of the Commission "A Small Business Act" for

Europe - COM (2008) 394 final together with the Communication of the Commission: Revising Small Business Act for Europe - COM (2011) 78 final aim at supporting the SMEs sector and at improving the business environment. The current draft aims to adapting to the Romanian realities and transposing the principles of the Small Business Act through: creating an environment where the entrepreneurs and family enterprises can prosper and where the entrepreneurial spirit is rewarded; assuring the possibility for the honest entrepreneurs which went into bankruptcy to benefit fast from another opportunity; Facilitating the SMEs access to financing and applying a juridical and commercial framework meant to favor the due payments on the occasion of the commercial transactions; promoting improvement of competences within the SMEs and promoting all forms of innovation; supporting the SMEs so as to benefit more from the opportunities offered by the EU internal market; helping the SMEs to transform the environment challenges into opportunities; Encouraging and supporting the SMEs to profit by the markets development; defining rules according to the principle "Think small first"; Assuring the reactivity of the management systems to the SMEs needs; adapting the instruments of the public powers to the SME's needs: facilitating the SME's participation to the public auctions and a more appropriate operation of the possibilities offered to the SMEs so as to benefit from the state assistance. Romania has a huge potential of economic and social development on a long term. At the first stage development of SNEs is envisaged at a local level, where the entrepreneurs and the SMEs will be encouraged and stimulated to turn to good account, in a profitable and judicial way, for the Romanian society, the current business opportunities and those of predictable perspective. In Romania, according to the data provided by the National Trade Register Office, the SMEs sector increased from 695,492 active companies (at the end of the year 2012) to 719,258 active companies (at the end of the year 2013), representing 99.72% of the total of the companies. The SMEs have 2,574,306 employees, assuring more than 58.94% of the total work places, achieving a business figure of 644,23 billion lei, representing over 59% of the business amount of all the enterprises. 88% are microenterprises; 10% are small enterprises; 1.7% are medium enterprises. The main activity fields of the SMEs are: Commerce - 40%, Professional, scientific and technical activities - 11%; Constructions - 7.7% ; Processing industry – 19.2% Transports - 7% ; Hotels and restaurants - 6.6%. There is a balanced distribution of the entrepreneurs as to ages: 25% are young people with ages of up to 35 years, 33% are entrepreneurs with ages between 36 and 45 years 22% are of ages between 46 - 55 years, 20% are of more than 56 years. The above mentioned data reveal the SME importance within the national economy. The support of the economic development of the country on a medium term must be looked upon as an encouragement of the entrepreneurship initiative, especially within the young generation and supporting the SMEs activity, especially of those which are innovators in profitable sectors, by removing the bureaucratic barriers and by facilitating the access to sources and financial instruments with a multiplying effect in economy.

22. In the **Russian Federation** 5.59 million small and medium sized enterprises (SMEs) have been registered as of 1 January 2014 that employed 17.8 million people. About 25 % of the total number of the employees working in the economy comes on the sector of small and medium sized business. Thus, enterprises - legal entities in the SME sector employ 12.4 million people (69.8%), while individual entrepreneurs employ 5.4 million people (30.2 %). The nominal turnover of SMEs in 2013 has increased by 5.3 %. The following legislative measures were adopted in 2013 to support SMEs: 1. The procedure of "small sized privatization" was simplified, the transparency of the procedures for purchase was increased, and the opportunities of the SMEs to purchase the leased state and municipal

real estate objects were expanded. 2. The necessary legislation was enacted to simplify the procedure of cash transactions for the SMEs and simplified accounting procedures and reporting is available for all types of SMEs without exception. 3. The lower limit is determined for the purchases from small businesses of goods, works and services for state procurement - not less than 15 % of the annual volume of purchases. At the same time, the upper limit for purchases from SMEs (20 % of the annual volume of purchases) has been cancelled. 4. The necessary legislation was enacted to introduce the mechanism of “innovative lift” (i.e. state corporations and development institutions were given right to enter the authorized capital of SMEs by more than 25 % without depriving such entities from their status of small / medium enterprise). Preservation of the SME status for such enterprises means that they are eligible for getting financial assistance and preferential terms of getting state orders. Now it will be easier and more profitable for the public corporations and development institutions to set up with such enterprises the technological chains for production of their innovative and perspective products. 5. The Federal Law № 237-FZ was enacted, which introduces a differentiated approach to the calculation of the fixed social security payments to the Pension Fund of the Russian Federation for the self-employed individual entrepreneurs. 6. The institute for protection of the rights of entrepreneurs has been set up. 7. The amendments to the Federal Law “On the Federal Budget for 2014 and the planning period of 2015 and 2016” entered into force envisaging allocation of 50 billion Roubles for establishing the Loan Guarantee Agency (LGA) for small and medium businesses and the decree on its establishment was signed in May 2014 by the Head of the Russian Federation Government Dmitry Medvedev. The LGA has to become the core of the national system of crediting for the small and medium business, and has to create additional opportunities for the implementation of the investment projects and reduce the risks of long-term crediting in the SME sector. The main tool to support SMEs at the executive level is the federal system of financial support for the SMEs. In 2013, the financial support under the program of the Ministry of Economic Development of Russia was received by 250 thousand SMEs. Thanks to the implementation of the special program of Ministry of Economic Development of Russia in 2013 in the SME sector across all over the country more than 148 thousand jobs have been created and 464 thousand work places have been preserved. The entrepreneurial initiatives are supported. Legal entities and individual entrepreneurs operating less than 1 year are given grants to start their own business in the amount of 300 thousand Roubles. In 2013 such grants were received by 11 thousand entrepreneurs and due to the grant support 9.4 thousand new jobs were created and 24.6 thousand workplaces were preserved. For the support of small innovative companies in 2013 1.97 billion Roubles were allocated, while in 2014 the amount reached 4.5 billion Roubles. 13.3 thousand jobs were created in 2013 and 29 thousand workplaces were preserved. Thanks to the support of SMEs in more than 80 single-industry towns in 2010-2014 with the support of the federal budget of Russia 20 thousand jobs were created and almost 23 thousand jobs were preserved. It is expected to introduce a number of important draft laws by the government in 2014. First of all it is the draft law on giving right to the regional authorities to exempt from taxes for 2 years the newly established small and medium-sized enterprises operating in the industrial, social and scientific spheres. It is also expected to make changes to the legislation of the Russian Federation regarding the self-employed population and to enable them to use the patent system of taxation.

23. Accelerated development of small and medium enterprises and their growth into an important segment of economy represents one of the most significant results of the transition economy in the **Republic of Serbia**. This is witnessed, also, by the fact that

SME sector totals to 99.8% of the overall number of economic entities in Serbia. In some EU countries there are umbrella laws regulating the field of small and medium enterprises. These laws provide the SME definition and the framework measures for further development advancement. The SME definition is regarded in two ways: (1) for the purpose of classification in the financial reports as regulated by the Law on accounting; and (2) classification of economic entities that are granted the budgetary financial resources and that are the beneficiaries of the state financial aid in conformity with the Regulation on the rules for allocation of state financial aid. Both definitions are adjusted to the respective EU definitions. Policy of Small and Medium Enterprises and Entrepreneurship development was previously defined by the Strategy for the development of competitive and innovative SME for 2008-2013, together with the Action plan for its implementation. The present draft, which is under consideration of the RS Government, defines the Policy of SME is the Entrepreneurship and Competitiveness Development Strategy 2014-2020. This document represents the comprehensive and continuous monitoring procedure of SME sector in Serbia by means of two-year Action plan for the Strategy implementation. The document also contains mechanism of coordination of respective institutions and the Ministry of Justice as well as other ministries, institutions, agencies and chambers participating in the implementation process. The Parliament of the Republic of Serbia has important role in adoption of laws of major importance for enhancing SME policy. There are some significant legislative and administrative reforms initiated and implemented in the Republic of Serbia recently, and they need to provide more favorable conditions for market economy operation, including the development of entrepreneurship.

24. Small and medium-sized enterprises play a particularly important role in the economy of the **Republic of Turkey**, because of their number and because of the large share of the workforce involved. The government authorities have for many years carried out a variety of programmes to support these enterprises. The Turkish government developed a specific SME policy and created KOSGEB (Small and Medium Industry Development Organisation) in 1990, as a major instrument for the execution of these policies. The role played by Micro and Small Enterprises in the Turkish economy has attracted a considerable attention in recent years. Firstly, it is originated from the emergence of new technologies and restructuring of the production processes, which favors MSEs in comparison with the larger enterprises. In this context, there is a growing recognition of MSEs innovative character, their flexibility in adapting to unstable and unpredictable situations, and their ability to integrate to global production chains. As such, MSEs are perceived as engines of growth in the economy. This standpoint also conforms with the importance given to Small and Medium-sized Enterprises (SMEs) in the European Union (EU). EU considers SMEs as “a key source of jobs, business dynamism and innovation”. The second position, on the other hand, emphasizes the potential of MSEs in employment generation and poverty alleviation, in an environment of increasing unemployment and widening income inequalities. However, the real level of knowledge about MSEs in Turkey is surprisingly low. MSEs in Turkey contributed significantly to the national economy in terms of both employment and value-added. Turkey is host to 2.3 million small and medium sized enterprises, of which a majority are micro firms, employing up to 20 people. In recent years, Turkey has experienced stable and high growth rates, despite the ongoing crisis worldwide and in Europe, which is an important trading partner. Both SMEs and large enterprises enjoyed the political and economic stability during this period. However, access to finance for SMEs needs further development. Although recent governmental support programs favor SMEs, banks and other financial institutions are

still less sensitive to the needs of SMEs. The SME development in Turkey is governed by the National SME Strategy and action plan. Turkey made some progress with regard to enterprise and industrial policy principles. An Industrial Strategy and Action Plan (2011-2014) were adopted in 2011, thus meeting the key requirement for alignment in this area. Turkey reported an 85% success rate in implementing the actions planned in the strategy for the first year. In August 2012, the Coordination Council for Improvement of the Investment Environment (YOIKK) issued an Action Plan for 2012-2013. A large number of regulations were adopted in April 2012 in order to cut red tape in business start-ups. After revisions, the draft Turkish Commercial Code entered into force on 1 July 2012. Turkey completed the assessment process for the Small Business Act together with the Western Balkans and the EU, with successful results particularly on small entrepreneurship and responsive administration. Moreover, in order to promote entrepreneurship culture in society, Turkey established an Entrepreneurship Council consisting of business, NGOs and Ministries. SME stakeholders are represented in decision making processes and are enjoying several targeted support mechanisms tailored to their needs. KOSGEB is consulting the stakeholders through several different mechanisms. Two most important ones are the General Assembly and the Executive Committee. The General Assembly is the highest governing body of KOSGEB chaired by the Prime Minister and has representatives of ministries, other governmental organisations, universities as well as private sector organisations like chambers, federations, industrial zones among its members. The Executive Committee is in charge of execution of KOSGEB's operation in line with the principles laid down by the General Assembly. There is a general agreement on the fact that the entrepreneurial culture in Turkey is rather well established and many entrepreneurs are willing to start their own business despite various obstacles and challenges they will need to face. Thus, the indicators measuring the level of entrepreneurial activity in particular stand up, as 25% of the Turkish active population are self-employed, and another 15% intend to start their own business in the near future. Society's perception of entrepreneurship, measured by the degree of media attention and the status accorded to entrepreneurs in society appear more favourable for business owners in Turkey compared to the EU average. In 2012, the Individual Entrepreneurship Multi Phased Support Programme was established by the Scientific and Technological Research Council of Turkey (TÜBİTAK). The programme is targeted to young individual entrepreneurs and based on a multi-phased approach.

25. With the adoption in 2012 of the Law of **Ukraine** "On the development and state support for small and medium enterprises in Ukraine" the changes were introduced to the Commercial Code of Ukraine regarding the definitions of the subjects of big, small and medium enterprises that were brought in conformity with the EU classification. In 2012, the share of small and medium-sized enterprises was 99.96 % of the total number of business entities, which generally corresponds to the European standards. According to the State Statistics Committee of Ukraine as of 01.01.2013 in Ukraine there were 1,600,127 entities out of which 1,578,879 represented small entrepreneurship. In 2011-2012 there was a decrease in the number of small and medium-sized businesses. In the structure of business the share of medium business increased from 1.24 % of the total number of economic entities in 2011 to 1.29 % of the total number of economic entities in 2012 due to reducing the number of small businesses. In the structure of domestic business enterprises as of 01.01.2013 the share of small enterprises was 94.3 %. In 2010 - 2012 these figures have not changed. As in previous years, the vast number of small and medium enterprises in Ukraine is concentrated in Dnepropetrovsk, Donetsk, Kyiv, Lviv, Odessa, Kharkiv regions and in the city of Kyiv. At regional level, the best indicators of

the number of small enterprises per 10 thousand people in Ukraine comes on Kyiv, Odessa, and Kyiv and Kharkov regions. The lower levels of the number of small enterprises per 10 thousand people in Ukraine comes on Ternopil, Sumy, Transcarpathian and Chernovyt'ski and Rivne regions. In 2012 the sales volume (goods and services) by small and medium-sized enterprises grew by 11.2% and reached 2 698.7 billion UAH. The main source of funding for capital investments, as before, are personal funds of enterprises and organizations, as well as bank credits and other loans. Such a structure of sources of financing capital investment, namely dominance of contributions from the companies' own funds makes development of enterprises and their investment activity dependent on their profitability. At present in Ukraine financial support to entrepreneurship at the state level is made through the program "Microcrediting programme for small businesses", for which the State Budget of Ukraine allocated in 2013 10.3 million UAH. In the framework of this program, small enterprises were able to get the credits (the average cost of a credit is 250 thousand UAH). In order to open its own business or for the production, processing and marketing of the products, the acquisition of machinery, equipment, new technologies, construction and reconstruction of production facilities the microcredits were granted through the Ukrainian Fund for Entrepreneurship Support according to the business plan competition. In 2013, the Ukrainian Entrepreneurship Support Fund issued 37 microcredits totalling to 9.0 mln. UAH, out of which 20 microcredit were given to the individual entrepreneurs totalling 4.9 mln. UAH, and 17 – to organizations totalling 4.1 mln. UAH. The main areas for granting microcredits are: food production, agricultural and industrial production, processing and marketing, the acquisition of machinery and equipment, introduction of new technologies, construction and reconstruction of production spaces. At the same time, in the framework of budget funding the program "Implementation of national programs to promote small entrepreneurship in Ukraine" was realised. During the implementation of this program in 2013 for the entrepreneurs and those wishing to start their own business 75 workshops in 27 regions of Ukraine were conducted in which 4509 people were trained. In 2014 the state funding of these programs still continues. For the program "Microcrediting of small entrepreneurship" funding of \$ 11 175.2 thousand UAH is envisaged, while for the program "Implementation of national programs to promote small business in Ukraine" funding of 1 336.4 thousand UAH is envisaged.

26. Small business are also characterized by certain disadvantages, such as higher risk, and respectively high degree of their instability on the market; dependence on large companies; deficiencies in the management of their own business; increased sensitivity to changes in economic conditions; difficulties in borrowing funds and getting loans. The problems also include insufficient development of the legislative system, high level of taxes, lack of internal financial resources, difficulties with the access to the external sources of finance and investment; inadequate level of development of respective infrastructure supporting the small entrepreneurship; gaps in the procedures of the state control, in particular a large number of regulatory bodies and duplication of supervisory authorities; complexity of certification and standardization procedures for goods and services; low level of involvement of young people and the rural population to small and medium entrepreneurship.
27. These problems are mainly caused by immaturity of the market economy and insufficient level of development of societies in developing countries. It is rather difficult to carry out necessary reforms within the countries where the bulk of the population does not respect the law and prefers to get only unilateral advantages. In this situation, loosening fiscal

control could lead to tax evasion, while reducing administrative barriers will lead to the emergence of short-lived companies, and facilitating access to financial resources will cause non repayment of credits. It is important to mobilize public opinion for the public institutions to duly perform their duties for the effectively regulate small and medium business. Improvement of quality of societies and increasing the responsibilities and consciousness of the citizens constitutes the major factor for stimulating strategic development of small entrepreneurship. This can be achieved only through promotion of respect for the law as the basis of the state system.

### ***The Role of the National Parliaments***

28. The national parliaments, as the legitimate representatives of the people, bear constitutional responsibility to protect the electors' interests. It is their duty to add voice to the concerns and aspirations to contribute to the further development of small entrepreneurship and improvement of the respective regulatory framework.
29. It is a crucial task of the national parliaments to oversee the government action in the field of addressing the complex set of socio-economic problems for involving the significant part of the unemployed population in the entrepreneurship, restructuring of credit and tax policies in order to stimulate the development of small entrepreneurship and transition to innovative economic development.
30. Parliaments have to carefully set funding priorities for promoting small business opportunities with the aim to underpin sustained economic growth, to meet the national priorities and strategic objectives and encourage partnerships.
31. Parliamentarians should also make maximum use of the available legal mechanisms to mobilize public awareness in order to make the benefits of small business widely understood and supported. Development of small business creates the preconditions for rapid economic growth, facilitates diversification and saturation of local markets, allowing at the same time to compensate the costs of a market economy (unemployment, fluctuations, crisis), as well as introduction of new goods and services, and scientific innovation.
32. Parliaments should take an active role in the ratification of international instruments pertinent to sustainable development small entrepreneurship and to incorporate their provisions in national legislation.
33. The Parliamentary Assembly of the Black Sea Economic Cooperation has to provide support to the actions undertaken by the BSEC to expand multilateral cooperation in the sphere of development of small entrepreneurship and commend the activities of the BSEC Working Group on SMEs.

### ***Recommendations to improve the sector of small entrepreneurship***

34. In order to create a favorable business climate it is necessary to ensure first of all that simple procedures are applied for starting and finishing business activities; secure fair competitive conditions; transparent and simple rules of interaction with the state (in the areas of licensing and permit system, administrative services); fair rules for the implementation of state control functions; clear and stable fiscal and credit policies;

35. In order to solve the existing problems it is necessary to activate a state policy of support to the small and medium enterprises at the central and local levels, and to adapt it to the international standards.

36. The main directions of implementing this tasks should include:

- introduction of European standards in the sphere of innovation for the further development of SMEs, the creation of innovative business infrastructure;
- formation of the prerequisites for innovation and the creation of an innovation-oriented business infrastructure, such as incentives for innovation activities of small and medium-sized enterprises and the establishment of adequate modern market economy chains relationship between science, technology and production;
- assessment of the effectiveness and efficiency of the operation of entities of innovative business infrastructure;
- adoption of measures aimed at creating a favorable investment climate and encouragement of further development of the business environment;
- implementation of measures to introduce new technologies, encourage the development of small and medium innovative enterprises, the creation of conditions for cooperation between small businesses and large enterprises;
- adoption of laws in the sphere of regulation of economic activities and improvement of state control;
- taking every effort to improve the mechanism for providing loan guarantees as well as attract new methods and instruments of financing (crediting) of SMEs and start-up entrepreneurs with due regard to the successful international experiences;
- ensure active participation of representatives of SMEs, start-up entrepreneurs and relevant SME support infrastructures in the various business meetings and business forums in order to ensure the exchange of experiences;
- consideration of possible cooperation between the financial institutions to support SMEs that issue credit guarantees for the SMEs and start-up entrepreneurs involved in foreign economic activities abroad;
- Improving access to financing, developing innovative financing systems, creating venture capital funds, developing and promoting business angels, etc.
- Creating and developing multi-financing programmes;
- Developing an entrepreneurial culture starting with preschool education
- Stimulate SMEs in the fields of Commerce to resettle in areas which are situated in the proximity of the places where there are functional market economies or where it starts to appear a solvable demand based on the involvement of all the interested factors
- Stimulate SMEs in the fields of processing industries to implant/resettle in areas which are situated in the proximity of the specific natural resources
- Stimulate SMEs in the fields of creative industries as well as those having a potential of external expansion (irrespective of the specific activity sector) will be stimulated to implant/resettle as following: In the big towns - within the clusters and excellence poles - in foreign jurisdictions, by opening their own working points or in partnership with foreign enterprises/institutions, which are in the respective countries. At the same time, these enterprises will be encouraged to target the foreign profile markets,

especially: Regional markets, which are less competitive at international level;  
Markets which are considered to benefit from a rapid international development.

### III. CONCLUSIONS

37. Small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established. Small businesses also help stimulate economic growth by providing employment opportunities to people who may not be employable by larger corporations. Small businesses tend to attract talent who invent new products or implement new solutions for existing ideas. Larger businesses also often benefit from small businesses within the same local community, as many large corporations depend on small businesses for the completion of various business functions.
38. Small businesses do not always stay small. They start as one person's idea spotting a gap in the market or a commercial opportunity and then develop. These businesses are prepared to take risks, driven by achievement, not put off by failure, self motivated, determined to stay ahead of the competition. Many small businesses throughout the world grow to become major players in the national and international marketplace.
39. Individuals are increasingly expected to seek out their own opportunities, actively create on their own rather than faithfully follow rules and routines set by others. In today's world young people need to learn to be enterprising taking responsibility for decision making, becoming increasingly self reliant, pioneering, adventurous, daring, dynamic, progressive, ambitious and holding values, as well as being able to initiate ideas and see them through into action.
40. Small and medium enterprises play an increasingly critical role in the global economy, especially in job creation. In the developing world the private sector is primarily comprised of micro, small and medium enterprises, which are generating jobs for millions of people. They play an important role in the agriculture, construction, and commercial services sectors, and are increasing their presence in the manufacturing and light industry sectors.
41. It is important for the BSEC member states to join commitment to improve the business environment and make it easier for small businesses to grow and fulfill their potential by means of underpinning sustained economic growth, reforms and programs for advancing small entrepreneurship.